

CFD Trading

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Examples of how traders can utilise CFDs

UK M&A ACTIVITY HITS FEVER PITCH - IS NOW THE TIME TO BUY?

- 2021 WAS A RECORD YEAR FOR M&A ACTIVITY INVOLVING UK HEADQUARTERED COMPANIES
- UK COMPANIES CURRENTLY AT RELATIVELY LOW VALUATIONS COMPARED TO US COUNTERPARTS



FTSE-listed names, Ted Baker, Pearson, Meggitt, Avast, Pendragon, Entain, Morrisons, Aggreko, Cobham and John Menzie, have been acquired in recent months as US-listed and private equity heavyweights circle UK firms trading at discounted prices.

INTRODUCTION

Apple is the largest US company, currently valued at \$2.7tn, whilst AstraZeneca is the largest UK-listed company at £153bn - worth little more than 5% of Apple!

The largest companies in the world, are predominantly listed in the US, rendering them potential corporate predators. Prey is often found in the UK.

Predatory companies also exist in the form of Private Equity firms - names such as **The Blackstone Group**, with assets under management of \$881bn and **KKR & Co**, \$459bn AUM.

Covid-19 and conflict in Ukraine have eroded 2019/20 company values, making would-be targets all the more attractive.

For shareholders, receiving a bid is like **hitting the jackpot**.

Last year **shareholders in Meggitt Plc received a premium of 71%** from US rival Parker-Hannifin (to convince shareholders to sell, a premium to the current share price is typically offered).

In 2021, the **average premium was approximately 40%**.

When buying a position using CFDs, retail investors' outlay is 20% of the deal value, meaning a £10k position in Meggitt could have been acquired for £2k, resulting in a £7,100 profit.

PriceWaterhouseCoopers reports 2021 was also a record year for private equity fund-raising, with **firms sitting on over \$2tn of funds to invest**.

In the table below we take a look at potential FTSE-listed M&A targets.

Stock	2019/20 high	Current price	Discount vs 2019/20	Price at 40% premium	Potential bid?
Boohoo	433p	92p	-78%	129p	Ted Baker recent bid target / Kamani family take private
ASOS	6000p	1671p	-72%	2340p	Ted Baker recent bid target / Bestseller AS to up 26.4% stake
Rolls Royce	301p	93p	-69%	130p	BAE Systems / Boeing / Airbus
ITV	166p	82p	-51%	115p	Liberty Global 10% stake / Netflix / Amazon / Disney
Babcock	659p	337p	-48%	472p	CEO led Cobham to successful buyout in 2020
Melrose	255p	133p	-47%	186p	Meggitt / Melrose / Babcock theme
Burberry	2362p	1712p	-27%	2396p	LVMH bought Tiffany for \$16bn / Kering, Moncler talks
Vodafone	169p	127p	-25%	178p	Ongoing Liberty Global spec / Orange held talks in 2021
BT	242p	183p	-24%	256p	Deutsche Telekom, Altice holds 12% stakes
J Sainsbury	296p	258p	-13%	361p	CDR bought Morrisons / Walmart sold Asda to private equity
GSK	1833p	1612p	-12%	2256p	Pfizer co-owned consumer health sector subject to ULVR bid

(Past performance is not indicative of future performance.)

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